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TRADE AND DEVELOPMENT BOARD
~~Standing Committee on Poverty Alleviation~~
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CONTRIBUTION TO THE PREPARATORY COMMITTEE OF THE WORLD SUMMIT FOR SOCIAL DEVELOPMENT

Draft presented by the Chairman

The Standing Committee on Poverty Alleviation, in accordance with its mandate and with reference to the reduction and elimination of poverty that is one of the core issues of the World Summit for Social Development, proposes as its contribution to the World Summit recommendations directed at the nexus between international trade, development and poverty reduction.

The Standing Committee recommends that the following additions be incorporated in the finalized version of the draft Declaration and Programme of Action of the World Summit for Social Development (A/CONF.166/PC/L.13):

Institutional recommendation

The Standing Committee requests that in Paragraph 3 of the draft Programme of Action mention of the Eighth Session of the United Nations Conference on Trade and Development that met during 8-25 February 1992, be inserted after point iv, and in Paragraph 12 insert the words " A new partnership for development:" before the words "the Cartagena Commitment".

Substantive issues and recommendations

Recalling paragraph 18 of A New Partnership for Development: The Cartagena Commitment, the Standing Committee on Poverty Alleviation requests that the five sets of issues and recommendations adopted below be incorporated in Part II: Reduction and elimination of widespread Poverty, paragraphs 31-85 of General Assembly document A/Conf.166/PC/L.13, "Outcome of the World Summit for Social Development: Draft declaration and draft programme of action".

1. Increased participation in international trade can provide a major stimulus for both economic growth and poverty reduction. In this respect, the Uruguay Round agreements represent a step forward as they provide for clear, equitable, transparent, predictable multilateral rules for trading environment. If implemented faithfully in letter and spirit, they can provide export opportunities to developing countries. Expanded trading opportunities can be an important vehicle for reducing poverty on a sustainable and lasting basis in developing countries provided that they are accompanied by employment-friendly patterns of growth.

Policies to enable developing countries to take advantage of expanded international trading opportunities should combine sound macroeconomic structures and appropriate government actions. An open, transparent, predictable and supportive multilateral trading system is an essential condition to achieve domestic progress in the alleviation of poverty. Developed countries have a major responsibility, in the context of growing interdependence, to create and sustain a global economic environment favourable to accelerated and sustainable development in developing countries. This should be complemented by improved market access and enhanced technology transfer.

2. Some countries may be faced with serious problems arising from the Uruguay Round agreements as they attempt to adjust their economic structures to the new circumstances. The erosion of margins in the GSP and the higher prices of food imports resulting from the new disciplines in the field of subsidies pose substantial adaptation problems for a number of developing countries, in particular the least developed countries. However, some of these concerns are addressed in the Marrakesh decisions on measures concerning the possible negative effects of the reform programme on least developed and net food-importing developing countries and on measures in favour of least developed countries.

Improvement of the GSP scheme, aimed at giving an employment-friendly orientation in terms of giving preferences for labour-intensive products, as well

as further progress in the opening of developed country markets are desirable if developing countries, particularly the least developed countries, are to reap full benefit from the new trade environment. Increased trade liberalization in the developed countries could especially be helpful if it induced vertical diversification in the developing countries in the processing of primary export products.

3. Poverty can be reduced through employment generation by the increased participation of small-scale manufacturing enterprises and agricultural smallholders in international trade. These activities are characterized partly by substantial backward linkages, e.g. subcontracting arrangements, that are primary sources of jobs for the poor.

Governments have an important role to play by creating the necessary macro-economic framework and providing an enabling environment favouring the economic participation of the poor, enhancing capacity building efforts, providing adequate infrastructure and improving human capital. Trade regimes which are biased against exports should be reformed. Governments should also, as far as small-scale enterprises are concerned, support research and development, training, quality control, contacts with potential foreign buyers and the promotion of international networks among enterprises in order to encourage the exchange of experiences and lateral learning. With respect to smallholders, Governments should ensure access to essential inputs and quality control of graded exports. International cooperation is required to strengthen market access for such micro-enterprises.

4. The burden of debt and debt service constitutes one of the major obstacles to accelerated growth and to the eradication of poverty. Despite often painful adjustment efforts and some recent upturn in resources flows, substantial external financial resources are required by developing countries. In view of the prevailing stringent budgetary conditions resulting from the debt overhang, developing countries need external assistance to develop their export potential. Official

development assistance is important for human resources development and other aspects of development that facilitate the participation of the poor in international trade.

A practical and innovative approach for donors to assist developing countries to develop their export potential under conditions of high external indebtedness could be to consider debt relief by using debt conversion schemes to mobilize domestic resources. Under the proposed approach, a certain proportion of the counterpart funds could be utilized in support of small-scale enterprises and smallholders engaged in production for export. An improved dialogue between donor and recipient countries would help to ensure more efficient and effective strategies for promoting and achieving the agreed-upon objectives, including meeting internationally recognized ODA targets.

5. Economic growth and poverty alleviation depend on appropriate domestic policies and favourable conditions in the world economy. Adjustment has been and remains necessary for recovering from exogenous shocks, as well as for continuously adapting to changing patterns of world demand and competitiveness, technological change and trade. In the aftermath of the debt crisis of the 1980s, significant social costs have arisen from the structural adjustment programmes that many developing countries have adopted. In the light of the general experience to date, there is a growing consensus that structural adjustment programmes should be flexible and contain measures which alleviate adverse social costs and that matching resources are needed for the success of such measures.

Structural adjustment programmes should be differentiated in accordance with each country's circumstances. The instruments forming part of structural adjustment programmes should take account of the essential components of the fight against poverty and strive to alleviate the negative repercussions on the poor. The ultimate purpose of adjustment ought to be to attack the underlying structural causes of poverty. Structural adjustment programmes should be accompanied by

appropriate external support.